

Message Text

LIMITED OFFICIAL USE

PAGE 01 SANTIA 02445 01 OF 02 252025Z

ACTION EB-08

INFO OCT-01 ARA-06 ISO-00 CAB-02 CIAE-00 COME-00
DODE-00 DOTE-00 INR-07 NSAE-00 FAA-00 L-03 H-01
PM-04 NSC-05 SP-02 SS-15 TRSE-00 OMB-01 FEAE-00
OES-06 ERDA-05 /066 W

-----252109Z 110345 /45

R 251824Z MAR 77

FM AMEMBASSY SANTIAGO

TO SECSTATE WASHDC 4038

LIMITED OFFICIAL USE SECTION 1 OF 2 SANTIAGO 2445

EO 11652: NA

TAGS: EAIR, US, CI

SUBJ: CIVAIR - DISCUSSION OF USER CHARGES AND RELATED QUESTIONS

MESSAGE FROM FSO SAMULE C. KEITER OF THE OFFICE OF AVIATION,
STATE.

1. IN SERIES OF DISCUSSIONS MARCH 22-23, CHILEAN OFFICIALS PROVIDED VISITING CIVAIR TEAM WITH MUCH USEFUL INFORMATION REGARDING THE COSTS AND PHILOSOPHY BEHIND CHILE'S USER CHARGE SYSTEM. AT OPENING SESSION, DCA GENERAL SERGIO LEIGH PRESENTED TEAM WITH A RECENTLY COMPLETED AND QUITE SOPHISTICATED STUDY ON THIS VERY SUBJECT. IN SUBSEQUENT DISCUSSIONS THE AUTHOR OF THE STUDY (ALEJANDRO PALMA) RECOGNIZED THAT SOME COST INFORMATION WAS MISSING, AND THAT THE INFORMATION PROVIDED DID NOT FULLY JUSTIFY THE PRESENT USER CHARGES. POINTING TO COSTS NOW BORNE ENTIRELY BY THE GOVERNMENT, PARTICULARLY PAYROLL COSTS AND TERMINAL COSTS, HE ARGUED THAT FULL COST INFORMATION WOULD SHOW ABOUT FOUR MILLION DOLLARS A YEAR OF COSTS ALLOCABLE TO INTERNATIONAL COMMERCIAL AVIATION, COMPARED TO THE \$ 1.8 MILLION ALREADY ACCOUNTED FOR. THE PRESENT CHARGING SYSTEM IS EXPECTED TO RECOVER ROUGHLY \$ 2.7 MILLION. PALMA AGREED THAT AS CHARGES APPROACH 100 PERCENT OF ALLOCABLE COST IT BECOMES EVER MORE IMPORTANT TO HAVE GOOD COST DATA, AND THAT INCOME FROM CONCESSIONS

LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

PAGE 02 SANTIA 02445 01 OF 02 252025Z

SHOULD BE CONSIDERED AS AN OFFSET AGAINST COSTS.

2. CHILEANS PROMISED TO PROVIDE ADDITIONAL INFORMATION WHEN IT IS AVAILABLE. PROBABLY NOT BEFORE NEXT YEAR. THEY ASKED NUMEROUS QUESTIONS ABOUT U.S. PRACTICES IN THIS FIELD; THE U.S. TEAM PROVIDED GENERAL INFORMATION ON THE SPOT AND PROMISED TO SEND MORE DETAILED INFORMATION AS SOON AS POSSIBLE AFTER ITS RETURN TO WASHINGTON.

3. PROBLEM OF RENT FOR LAND ON WHICH BRANIFF'S MAINTENANCE FACILITY IS BUILT WAS DEALT WITH SEPARATELY. PALMA EXPLAINED THAT GOC HAS TRIED TO ESTIMATE THE COMMERCIAL VALUE OF THE LAND AT THE AIRPORT AND COME UP WITH A FIGURE ROUGHLY MIDWAY BETWEEN THE VALUE OF LAND NEAR, BUT UNASSOCIATED WITH, THE AIRPORT, AND THE VALUE OF LAND IN DOWNTOWN SANTIAGO. IN THE PAST TWO OR THREE YEARS, HE SAID, THE ONLY INCREASES HAVE BEEN ADJUSTMENTS REFLECTING INCREASES IN THE CONSUMER PRICE INDEX (A PRACTICE WIDELY FOLLOWED IN CHILE). THE U.S. TEAM CONCEDED THAT THE PRINCIPLES CITED WERE COMMONLY USED IN OTHER COUNTRIES.

4. GENERAL LEIGH ASSURED THE TEAM THAT FOREIGN AIRLINES HAVE EASY ACCESS TO HIM WHEN THEY HAVE A PROBLEM. HE HAS MET WITH THE LOCAL BRANIFF REP AS OFTEN AS THREE TIMES A WEEK.

5. GENERAL LEIGH DISCLAIMED ANY RESPONSIBILITY FOR FUEL AND TAX QUESTIONS, SO TEAM MET MARCH 23 WITH THE UNDERSECRETARY OF THE MINISTRY OF FINANCE COMMANDER PEDRO LARRONDO. HE AND HIS COLLEAGUES APPEARED OFFENDED BY SUGGESTION THAT CHILEAN PRICE OF JET FUEL IS TOO HIGH. THEY EXPLAINED THAT CHILEAN PRICING OF PETROLEUM PRODUCTS IS INTENDED TO RESULT IN USERS OF LESS ESSENTIAL PRODUCTS, LIKE JET FUEL, SUBSIDIZING USERS OF MORE ESSENTIAL PRODUCTS, LIKE KEROSENE, THE PRINCIPAL CONSUMER FUEL. THEY WERE UNIMPRESSED BY THE ARGUMENT THAT ONE RESULT OF THIS POLICY WAS THAT FOREIGN AIRLINES, INCLUDING U.S. AIRLINES, WERE SUBSIDIZING CHILEAN CONSUMERS, BUT

LIMITED OFFICIAL USE

NNN

LIMITED OFFICIAL USE

PAGE 01 SANTIA 02445 02 OF 02 252044Z
ACTION EB-08

INFO OCT-01 ARA-06 ISO-00 CAB-02 CIAE-00 COME-00
DODE-00 DOTE-00 INR-07 NSAE-00 FAA-00 L-03 H-01
PM-04 NSC-05 SP-02 SS-15 TRSE-00 OMB-01 FEAE-00
OES-06 ERDA-05 /066 W
-----252110Z 110657 /45

R 251824Z MAR 77
FM AMEMBASSY SANTIAGO
TO SECSTATE WASHDC 4040

LIMITED OFFICIAL USE SECTION 2 OF 2 SANTIAGO 2445

THEY DID AGREE TO CONSIDER A PROPOSAL TO ALLOW JET FUEL TO BE IMPORTED ON THE AIRLINES' ACCOUNT.

6. CHILEANS DENIED THAT ANY DIFFERENTIAL EXISTS BETWEEN JET FUEL PRICE FOR LAN CHILE AND THAT FOR OTHER AIRLINES, NOTING THAT CHILEAN LAW PROVIDES THAT STATE CORPORATIONS SHALL NOT BE EXEMPT FROM ANY TAXES OR SIMILAR CHARGES. EMBASSY IS INVESTIGATING FURTHER.

7 CHILEANS WERE UNINTERESTED IN ANY PROPOSAL DESIGNED TO REMOVE THE TAX ON JET FUEL, POINTING OUT THAT CHILE TAXES ALL FUELS HEAVILY. IMPLICIT WAS THE VIEW THAT INTERNATIONAL AVIATION CAN BEAR SUCH TAXES AS LEAST AS WELL AS MANY OTHER FUEL FUEL CONSUMERS. (IN FACT IT APPEARS THAT JET FUEL IS TAXES ONLY WITH A LIGHT "STATISTICAL IMPOST".)

8. USDEL'S SUGGESTION THAT EXEMPTION OF LAN EMPLOYEES FROM 10 PERCENT

DEPARTURE TAX WAS CONTRARY TO THE "FAIR AND EQUAL OPPORTUNITY" CLAUSE OF THE BILATERAL ALSO DREW AN INITIAL NEGATIVE RESPONSE. CHILEANS RELIED PRIMARILY ON THEIR ANALYSIS OF CHILEAN LAW AND AT FIRST SEEMED TO IGNORE THE APPLICABILITY OF THE BILATERAL. AFTER EXTENDED DISCUSSION THEY CONCEDED THE POSSIBILITY OF CONFLICT WITH THE BILATERAL AND AGREED TO STUDY THE MATTER FURTHER, BUT LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

PAGE 02 SANTIA 02445 02 OF 02 252044Z

THEY SUGGESTED THAT THEY MIGHT TRY TO ACHIEVE FORMAL COMPLIANCE WITH THE BILATERAL BY GIVING LAN EMPLOYEES THE FUNDS TO PAY THE TAX.

9. IN SUBSEQUENT CONVERSATION WITH LOCAL BRANIFF REP, HE INDICATED THAT PRINCIPAL BURDEN WAS ON INDIVIDUAL EMPLOYEES TRAVELLIN ON PERSONAL BUSINESS. WHEN TEUF MEMBER REMINDED HIM THAT LAN EMPLOYEES TRAVELLING ON PERSONAL BUSINESS MUST PAY THE TAX, HE PROPOSED THAT US ARGUE AGAINST IT ON GROUNDS OF RECIPROCITY AND BECAUSE OF DISCRIMINATION AGAINST US AS DESTINATION.

10. UNDERSECRETARY AND HIS COLLEAGUES SUGGESTED THAT TEAM SUBMIT A LETTER ON POINTS THAT HAD BEEN DISCUSSED FOR FURTHER DISCUSSION. EMBASSY WILL SUBMIT INFORMATION NEEDED ASAP SO THAT TEAM CAN PUT LETTER IN FINAL FORM SOON AFTER RETURN TO WASHINGTON.

11. COMMENT: CIVAIR OFFICIALS APPEARED COMPETENT AND COOPERATIVE. MINISTRY OF FINANCE IS RESPONSIBLE AGENCY, HOWEVER, IN AREAS OF PRINCIPAL CURRENT PROBLEMS, AND OFFICIALS THERE, WHILE ALSO COMPETENT, WERE FIRST ON TEAM'S TRIP SO FAR TO APPEAR TO RESENT U.S. EFFORT TO PROTECT U.S. AIRLINES FROM UNJUSTIFIED CHARGES. THEIR ATTITUDE SOFTENED SOMEWHAT, HOWEVER, TOWARD THE END OF THE DISCUSSION, AND IT APPEARS WORTHWHILE TO CONTINUE THE EFFORT.
POPPER

LIMITED OFFICIAL USE

NNN

Message Attributes

Automatic Decaptioning: X
Capture Date: 01-Jan-1994 12:00:00 am
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: CIVIL AVIATION, COSTS, DIPLOMATIC DISCUSSIONS
Control Number: n/a
Copy: SINGLE
Sent Date: 25-Mar-1977 12:00:00 am
Decaption Date: 01-Jan-1960 12:00:00 am
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 22 May 2009
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1977SANTIA02445
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Expiration:
Film Number: D770103-0467
Format: TEL
From: SANTIAGO
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1977/newtext/t19770321/aaaaarzo.tel
Line Count: 166
Litigation Code IDs:
Litigation Codes:
Litigation History:
Locator: TEXT ON-LINE, ON MICROFILM
Message ID: 2531d0b1-c288-dd11-92da-001cc4696bcc
Office: ACTION EB
Original Classification: LIMITED OFFICIAL USE
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 4
Previous Channel Indicators: n/a
Previous Classification: LIMITED OFFICIAL USE
Previous Handling Restrictions: n/a
Reference: n/a
Retention: 0
Review Action: RELEASED, APPROVED
Review Content Flags:
Review Date: 30-Dec-2004 12:00:00 am
Review Event:
Review Exemptions: n/a
Review Media Identifier:
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
SAS ID: 2995155
Secure: OPEN
Status: NATIVE
Subject: CIVAIR - DISCUSSION OF USER CHARGES AND RELATED QUESTIONS MESSAGE FROM FSO SAMULE C. KEITER OF THE OFFICE OF AVIATION, STATE.
TAGS: EAIR, US, CI
To: STATE
Type: TE
vdkgvwkey: odbc://SAS/SAS.dbo.SAS_Docs/2531d0b1-c288-dd11-92da-001cc4696bcc
Review Markings:
Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
22 May 2009
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 22 May 2009